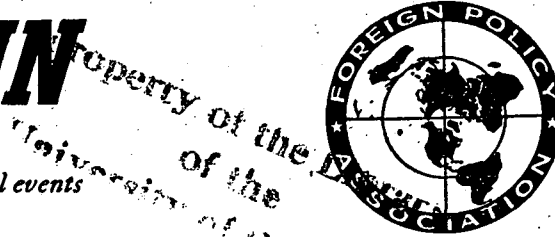


# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## Priority for Europe Set by Truman and Attlee

WASHINGTON—While the Korean military crisis has fixed attention on Asia, Europe remains the focus of United States foreign policy. The talks between British Prime Minister Attlee and President Truman in Washington from December 4 to 8 served to reaffirm that fundamental concept, which the United Nations retreat in Korea had briefly endangered. The enforced withdrawal of UN forces from Korea could endanger it again at a later date.

### Focus on Europe

President Truman could have met the Korean problem, on the one hand, by moving militarily in some manner against Communist China, but instead he agreed with Mr. Attlee to follow a program that will, so far as the United States can control the situation, keep our combat entanglement in Asia limited to Korea. On the other hand, he could have called for a diplomatic approach to the Soviet Union and the Chinese Communists in order to ascertain their views about the bases for a settlement of East-West differences. While the Truman-Attlee communiqué of December 8 said that "we are ready to seek an end to the hostilities [in Korea] by means of negotiation," the President continues to support the thesis, which he and other officials have repeatedly set forth since the outbreak of the Korean war, that the United States and other Western powers must be strong in arms before they negotiate on fundamentals with the Soviet Union.

In its past search for strength the Administration has emphasized the defense of Europe, a project which would be

jeopardized by all-out retaliation against the Chinese Communists in Korea. The talks between the President and Prime Minister stressed means for carrying forward the program of rearming Europe, even though the communiqué said: "We

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believe that the Communist leaders of the Soviet Union and China could, if they chose, modify their conduct in such a way as to make these [Western] defense preparations unnecessary. We shall do everything that we can through whatever channels are open to us to impress this view upon them and to seek a peaceful solution of existing issues."

Giving no sign of hope for achieving a peaceful solution now, however, the Administration since Mr. Attlee's visit has embarked on a fourfold program for adding to the strength of Europe with the following four objectives: 1) to increase the military capabilities of Britain; 2) to expand the production of arms here and in Britain; 3) to bring into being the "integrated force for the defense of Europe" upon which the foreign ministers of the North Atlantic treaty powers agreed at their September meeting; and 4) to deal with the problem raised by shortages of raw materials which the North Atlantic treaty powers need in order to satisfy civilian and defense requirements. "The pressure of Communist expansion existed in Europe and elsewhere long before the aggression against Korea," the communiqué said.

Washington has been optimistic many times in the past about the chances of organizing the defense of Europe, only to be disappointed, and a gap between aspiration and reality still exists, although it appears to be growing narrower. The Truman-Attlee meeting left the two allies uncertain, for one thing, about the point at which a rearmament program becomes a source of weakness instead of strength as a result of its interference with the civilian economy. "We have agreed that the maintenance of healthy civilian economies is of vital importance to the success of our defense efforts," the leaders said.

However, the Western nations cannot now easily support that proposition in practice. Subordination of the civilian economy to defense requirements in a far greater degree than present policies demand seems to lie ahead for the United States. Secretary of Defense George C. Marshall on December 9 told reporters at the Capitol that President Truman was "seriously considering announcement of a declaration of a national emergency," preliminary to total mobilization of national resources in order to accelerate the defense of the United States and Europe.

### Riddle of Germany

The role of Germany in the Western defense is still a riddle for the North Atlantic treaty powers. The French cabinet on December 6 modified its previous views about Germany by approving suggestions, first, that the West German government may recruit German combat teams for use in the integrated force for the defense of Europe and, second, that the North Atlantic treaty powers might begin the for-

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mation of integrated units before the Western European powers accept the Schuman plan. The American, British and French High Commissioners in Germany would supervise the raising of the German armed forces through the plan which the French accepted, a plan devised by Charles M. Spofford, United States deputy on the North Atlantic Council. In view of the French action the deputies of all the Council powers on December 7 announced that they were "ready to enter into a meeting with the Military Committee for the joint consideration of politico-military aspects of the German contribution." The French cabinet, however, called for a French government conference in January to consider whether German units should be admitted to a European army (a unified, rather than merely integrated, force), the creation of which France continues to favor. Secretary of State Dean Acheson's decision on December 11 to go to Brussels this weekend for a meeting of the North Atlantic foreign ministers stemmed from a desire to meet this French hesitancy. The allies still disagree about the basic nature of the force to be set up by the European North Atlantic powers because not all of them support the concept of a European army. Moreover, the West German government itself is vague about its willingness to recruit the combat teams that Mr. Spofford has in mind. Chancellor Konrad Adenauer on November 24 dis-

closed that he had asked the Western occupying powers to sign a "security treaty" as a basis for the defense of Germany. The conditions of German participation in Western rearmament which he laid down in his respect have so far not been met by the occupiers. Nevertheless, the Military Committee of the North Atlantic Treaty Organization met in London this week to try once more to reach agreement for the establishment of the long-sought integrated force.

### ***Disharmony on Asia***

The American President and the British Prime Minister succeeded in the main in giving a picture of a "through-thick-and-thin" unity between their countries, but the one point on which their communiqué frankly said they disagreed touched the very question which inspired their meeting—China. Britain favors and the United States opposes admission of the Peiping regime to the UN. China also raises divisive questions not mentioned in the communiqué.

Britain and other members of the Commonwealth have favored adjustment of present international difficulties by diplomatic means. The burden of their comments is that the West should come to terms with Communist China. Canadian Minister for External Affairs Lester B. Pearson in a radio address on December 5 advocated the inauguration of peace negotiations with the Chinese "by every

means . . . if and when the military position [in Korea] is stabilized." Sir Benegal N. Rau, Indian delegate to the United Nations, on December 9 announced that he had been told by Wu Hsiu-Chuan, head of the special Chinese People's Republic mission at the UN, that Wu was "desirous of bringing the fighting to an end as early as possible." Sir Benegal talked with General Wu on behalf of 13 Asian and Middle Eastern UN members which on December 5 called on the Chinese Communists "to declare that it is not their intention that any forces under their control should cross to the south of the Thirty-eighth Parallel."

Since General Wu's government sent him to Lake Success to talk about Formosa, that issue undoubtedly would enter any diplomatic discussions in which he participated relating to the cessation of hostilities in Korea. The Truman Administration is not free to come to terms with Communist China in exchange for abandonment of our policy of protecting Generalissimo Chiang Kai-shek's control over Formosa. Leading Republican Senators whom the President has tried to conciliate in the past oppose such abandonment. As long as United Nations forces can hold a position in Korea and thereby prevent the eruption of a new crisis in American opinion over Asia, however, this division between Britain and the United States need not threaten the trans-Atlantic unity respecting Europe. BLAIR BOLLES

## ***Global Action Needed on Raw Material Problems***

In the course of their meetings in Washington President Truman and Prime Minister Attlee discussed on December 6 "the economic problems arising from the mutual defense efforts with particular reference to raw material requirements. It was agreed that the problem of raw material shortages was vitally urgent and that vigorous efforts should be made to increase production and to assure the most effective use of the limited supplies available."

Four days earlier the European Marshall Plan Council—disturbed by the effect this country's "stockpiling" program and the upward price trend in international commodity markets were having on their economies—had voted to send a group of experts to Washington to work out a North Atlantic program of cooperative action to control prices and supplies of vital raw materials.

Sharp fluctuations in prices of raw ma-

terials as contrasted with the more rigid prices of manufactured goods have always created problems in relations between nations. In time of war or during periods of intense business activity the prices of raw materials have a disconcerting effect on economic viability. Rising prices and shortages—since the supply is inelastic, output cannot be increased significantly as the demand increases—tend to become a bottleneck retarding rearmament and industrial expansion. While battles are fought by armed soldiers, the sinews of war are tin, copper, sulphur, aluminum, zinc, lead, nickel, cotton, wool, timber, cobalt, chrome, manganese and various other materials.

### ***Developments Since Korea***

When the Korean war started, the Dow-Jones spot commodity price index was at 167 while the futures index was 155 (1924-26 average is 100). At the end of

the first week in December the spot index had advanced to 208, while the futures index had risen to 192. The intervening months were not characterized by a steady upward movement. Nervous price trends have been apparent since June 25, and every month except July showed a significant dip followed by an even more substantial increase. The wholesale price index for raw materials compiled by the Bureau of Labor Statistics (1926 equals 100) was 167.7 in June and 181.7 in September.

The price of tin advanced to an all-time high. In 1947 the American price was \$78 per 100 lbs.; in July, 1950 the price had reached \$87.08; and on December 6 the quotation was \$142. Copper is currently listed at \$24.50 per 100 lbs., whereas in July the price was \$22.50. Sulphur—a basic ingredient in the production of steel, rubber and paper—has risen \$3 to \$4 a ton in recent days and now

sells at \$21 a ton. Since sulphur is found in large quantities in this country, European nations which relied on us for supplies have been severely inconvenienced by this country's decision to curtail exports due to the demands of mobilization.

Natural rubber, which was priced at \$39 per 100 lbs. in July of this year, is currently quoted at \$67.50. Meanwhile, on December 6 the Reconstruction Finance Corporation, which manages the federally-owned synthetic rubber industry, announced that the prevailing price of 18½ cents a lb. would rise to 24½ cents. Aluminum now sells for \$19 per 100 lbs. in contrast to a price of \$17 in December 1949. In that same period zinc advanced from \$9.75 per 100 lbs. to \$17.50. Today 100 lbs. of lead commands \$17, while in July the price was \$11.50. This list could be extended to include all strategic raw materials, and in every case a substantial price increase would be evident.

The significance of the initial rise in commodity prices was misinterpreted. It was believed that the impact of increased United States purchases of raw materials would narrow and perhaps close the dollar gap—and indeed it has. However, as the Federal Reserve Bank of New York and the *Gray Report on Foreign Economic*

*Policies* have pointed out in recent weeks, this is but a transitory effect due to the fact that this country slammed its mobilization effort into high gear before the other North Atlantic treaty nations had picked up speed. According to the Gray report, the "main reason why the recent rate of improvement now appears likely to be temporary, however, is that Western Europe has not yet felt the full impact of higher raw material prices arising from acceleration of United States rearmament, nor the impact of its own prospective rearmament. A serious inflation in the prices of raw materials, which Western Europe must import, relative to the prices of manufactured goods, which it exports, may adversely affect both its dollar and nondollar balance of payments positions."

### **Possible Solutions**

In peacetime the difficulties associated with maintaining stability in raw material prices are frequently met by international commodity agreements between producers and consumers. At the present time, however, Washington, London and Paris are interested in another type of international agreement. The *Wall Street Journal* speculated on December 7 that the Truman-Attlee talks might lead

to the re-emergence of a Combined Raw Materials Board similar to the organization that functioned effectively during World War II. The procedure used during the war was literally to divide up the available raw material resources between the United States and Britain. For example, the Allied rubber procurement program gave this country responsibility for purchasing natural rubber in South America and Liberia, while Britain took the rest of Africa and Far Eastern areas free of Japanese control.

While the United States is in better shape as regards existing stocks of raw materials than it was at the outbreak of World War II, any protracted fighting would require long-range planning for replenishment of supplies and division of existing sources with our allies. One of the problems in setting up a new board is how to achieve maximum efficiency, since a new raw materials board would certainly have far wider national representation than its predecessor.

There is little doubt, however, that some sort of international agreement will be reached in the near future. The need is acute, and it is impossible for purely national agencies to do the job.

HOWARD C. GARY

## ***Korean Crisis Exposes Changes in Balance of Power***

While the United States and Britain have declared that there will be no "yielding" in Asia or Europe, reports from Paris indicate that on December 9 the United States, Britain and France, replying to a Kremlin note of November 3 on Germany, agreed to ask the U.S.S.R. to join them in diplomatic conversations regarding the possibility of a Big Four conference on all outstanding controversial issues. It has also been rumored at Lake Success that the Peiping government is ready to negotiate about Korea on two conditions: that Communist China participate in such negotiations on a basis of equality and that all major Far Eastern problems be discussed. These rumors and reports have focused attention on a reappraisal of Russia's position in world affairs and of United States and United Nations policy toward Russia.

### ***U.S.—U.S.S.R. Stalemate***

Under the impact of defeat in Korea it is natural that the American people, unaccustomed to set-backs such as have been suffered over centuries by other nations which lived to fight many another day,

should take a cataclysmic view of the resulting situation. If we are to maintain our sanity, however, it would be well to look at the world with at least the sense of proportion and self-control that the British found it possible to summon after Dunkirk, the French after the Nazi conquest, the Russians after Stalingrad—all disasters which were far more immediately threatening to those nations' survival than Korea now is for this country.

Perhaps the most significant aspect of swiftly moving events is that neither the United States nor the U.S.S.R. has been able to achieve by its own unaided efforts sufficient strength to overwhelm or decisively check the other. Each has sought to find and keep allies. Each now faces the fact that as recovery progresses, countries defeated or weakened in World War II are asserting their claims to be heard and to participate in any projected settlement. Most interesting of all, Britain, buttressed by other members of the Commonwealth, which now includes Asian nations, is once more emerging as an important factor in the creation of a new balance of power.

While it is possible that war rather than accommodation may be the ultimate result of the present world-wide crisis, one thing seems certain: any negotiated settlement will have to take into account the realities of the far-reaching changes in power relationships that have occurred in the past five years. These changes have been brought about by Russia's World War II victory and its subsequent attempts to extend its influence, America's unprecedented participation in world affairs, the comeback of Britain and the Commonwealth, the revival of Germany and Japan, the rise of independent nations in Asia, notably India, and the consolidation of China under a militant Communist government.

The events of the past month have demonstrated the sound judgment of those Far Eastern experts and military officials who had reached the conclusion that Korea was "indefensible" in an East-West struggle in which the Communist nations chose to exert maximum pressure. This judgment, however, was deliberately set aside on June 25, when the United States and the United Nations decided to



resist aggression by the North Koreans. The UN decision on Korea established an important precedent, about which there should be no regret, for collective action against an aggressor. This precedent, which strengthened the will to resist of many countries, will stand irrespective of the outcome in Korea.

## UN Limitations

Both the North Korean and the Communist Chinese armies, which are obviously not composed of "volunteers," receive arms and technical assistance from the Russians. It is consequently proper for the United Nations to inquire whether the action taken by UN forces against North Korean and Chinese troops should not be directed instead first and foremost against the U.S.S.R. as the real source of aggression. Such a decision, however, would mean war between the United Nations and Russia. Until now this contingency, dreaded by most peoples, has been avoided for a number of reasons, the most important being the blunt fact that the nations supporting UN-action in Korea do not now possess sufficient men and weapons (leaving the atomic bomb aside for the moment) to engage the U.S.S.R. in a two-front war in Europe and Asia. The truth is that the UN, while strong enough to check aggression by a small nation dependent solely on its own resources, is not yet in a position to challenge a great power.

The United Nations is not open to criticism for its decision to check the North Koreans. This decision, which took Russia by surprise, was a diplomatic defeat for the Kremlin in spite of the military defeat subsequently suffered by the UN forces. What can be criticized is the reluctance of the United Nations—principally the United States—to calculate the consequences of UN intervention in Korea and the tendency, displayed by Washington and deplored in London, Paris and New Delhi, to use threats and denunciations against Russia and China for lack of agreed effective diplomacy and necessary military strength.

In the United States military and political leaders were understandably concerned with the security of American defenses in the Pacific, including Japan, and therefore stressed the need of keep-

ing Formosa out of the hands of the Chinese Communists. Little or no attempt was made to take into consideration the century-old interest of China and Russia in Korean affairs, or the historic fears of the two countries that Korea might again be used as an invasion route, such as that used by Japan to conquer the Asian mainland. Attention was properly called here to the long tradition of American friendship with China. Few American spokesmen, however, pointed out that the continuance of United States support for Chiang Kai-shek and Washington's refusal to recognize the Peiping regime and admit it to the UN would not be regarded by the Chinese Communists as friendly acts. Washington and Tokyo brushed aside warnings by the British, the Indians and others that the UN should make a realistic estimate of the situation and, while standing firm on principle in Korea, weigh the possibility of negotiations about the ultimate fate of the strategic peninsula.

Only when these warnings proved tragically accurate was negotiation seriously considered, as the oncoming Chinese attack placed the United States and other UN members in the perilous situation of having to negotiate not from a position of strength but from a position of grave weakness. The principal source of UN weakness—aside from inadequate armaments—is the divergence that constantly threatens to develop between the United States and other members. This divergence does not concern the necessity of opposing aggression. On this point there is striking agreement in the UN. The divergence concerns ways and means of dealing with Russia and China, as well as with communism elsewhere.

While the Soviet government has made great efforts to capitalize on this divergence, the United States has paid relatively little attention to similar weaknesses of the U.S.S.R. and rifts within the supposedly "iron" Soviet bloc. What are these weaknesses and rifts, and how could the United States and the United Nations effectively take advantage of them by methods that might spare the world the devastation of a war, which, it is generally agreed, would leave no victors?

VERA MICHELES DEAN

(The first of two articles on the United States, the United Nations and Russia.)

## News in the Making

**HIATUS IN HONG KONG:** American restrictions on the export to the Far East of all strategic goods which might reach Communist hands has brought economic activity in Hong Kong nearly to a standstill. Business men in the British colony fear that the city—an important transfer point for goods destined for the Chinese mainland—may become a "ghost town."

**STERLING AND THE COLOMBO PLAN:** British Chancellor of the Exchequer Hugh Gaitskell announced on December 7 that Britain would release to India and Ceylon a total of £231 million from the blocked sterling balances over the next six or seven years. The funds, representing British debts incurred during the war, will help finance the six-year £1.8 billion development program for southern Asia under the Colombo plan. Discussions are being held to arrange similar releases to Pakistan.

**THE NEW GUINEA QUESTION:** Indonesian and Dutch negotiators—in accordance with The Hague agreements of 1949, which obligated them to determine the fate of New Guinea (Irian) by the end of 1950—are currently deadlocked, neither side willing to abandon its claims to the western half of the huge strategically important and potentially rich island. Although a decision to postpone the deadline for a settlement may be reached, protracted argument over this question threatens the Netherlands-Indonesian Union and weakens the West during this critical period.

**FRANCO AND GIBRALTAR:** Generalissimo Francisco Franco—as reported in the official Falange newspaper, *Arriba*, on December 10—has demanded the return to Spain of Gibraltar, obtained by Britain under the treaty of Utrecht in 1713. Observers wonder whether this is an attempt to divert attention from internal troubles—since the recently repealed UN-ban can no longer be used for this purpose—or a prelude to demands for greater aid from the West. Would the fortress-rock itself have any real value for Spain? The Caudillo, according to *Arriba*, says "None whatever."